

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$ 881,000)		(\$ 1,196,000)
CASH FUNDS		\$ 881,000		\$ 1,196,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		\$ 0		\$ 0

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 760 sections 1 through 11, creates the Combines Sewer Overflow Infrastructure Assistance Act (CSOIAA) and, in sections 12 through 19, the Unfunded Federal Mandate Infrastructure Assistance Act (UFMIAA). Both Acts provide financial assistance for sewer and water projects to Nebraska municipalities but a municipality may not receive assistance under both programs.

The CSOIAA provides for state assistance to a municipality for a combined sewer overflow project. The assistance is in the form of a throwback of state sales tax collected on the increase in monthly sewer use fees on and after July 1, 2013 attributable to a combined sewer overflow project. The amount of assistance is limited to ninety percent of the state sales tax collected. The bill defines a combined sewer overflow project to mean a municipal project to reduce overflows from a combined sewer system pursuant to a long-term control plan approved by the Nebraska Department of Environmental Quality. At this time the only such project is located in Omaha.

The CSOIAA also creates a board consisting of the director of Department of Environmental Quality, the CEO of the Department of Health and Human Services, and the State Fire Marshal. The board is to review and approve applications for state assistance under the CSOIAA.

The bill also provides duties for the Tax Commissioner. For approved applications the Tax Commissioner to audit or review audits of sewer use fees to determine the amount of state sales tax revenue and local option sales tax revenue collected by the municipality on the increase in monthly sewer use fees beginning and after July 1, 2013 attributable to the CSO project and certify the amount of such state sales tax revenue to the State Treasurer.

The CSOIAA creates the Combined Sewer Overflow Infrastructure Fund, to which shall be transferred from the General Fund, ninety percent of the state sales tax revenue certified by the Tax Commissioner as described above. Another ten percent of the amount certified by the Tax Commissioner shall be transferred to the Unfunded Federal Mandate Infrastructure Assistance Fund, which is also created by the bill.

For approved applications, the board is to distribute ninety percent of the state sales tax revenue collected by that municipality from the Combined Sewer Overflow Infrastructure Fund to the municipality for use in funding the combined sewer overflow project. The distribution is conditional on the municipality using the local option sales tax revenue collected from the increase in sewer fees for the same purpose that the state sales tax revenue is used. The bill also specifies that the local option sales tax revenue so collected shall not be used to fund the general operations of the city.

The UFMIAA is to be administered by the Department of Environmental Quality and is to provide grants to political subdivisions from the Unfunded Federal Mandates Infrastructure Assistance Fund. Grants would be made available to municipalities not receiving assistance, as noted above, from the CSOIAA. Political subdivisions receiving grants under the UFMIAA would be required to provide a ten percent match of funds derived from local sources.

The fund would receive revenue from ten percent of the certified amount of state sales tax revenue collected by a municipality on the increase in monthly sewer use fees. DEQ would also be allowed to allocate direct administrative expenses to the fund, not to exceed the amount required to employ a 0.50 FTE staff position.

Fiscal Impact:

The Department of Revenue has estimated the following fiscal impact of LB 760:

Fiscal Year:	General Fund:	CSOI Fund:	UFMIA Fund:
FY2014-15:	(\$ 881,000)	\$ 793,000	\$ 88,000
FY2015-16:	(\$ 1,196,000)	\$ 1,076,000	\$ 120,000
FY2016-17:	(\$ 1,562,000)	\$ 1,406,000	\$ 156,000

The Department of Revenue estimates minimal cost to implement the provisions of LB 760.

The Department of Environmental Quality has estimated that LB 760 would provide approximately \$1,500,000 annually to the Combined Sewer Overflow Infrastructure Fund and approximately \$167,000 annually for the Unfunded Federal Mandate Infrastructure Assistance Fund.

The Department of Environmental Quality has indicated that existing staff would be used to administer the UFMIA Act so there would not be any additional cost to the department as a result of LB 760.

The City of Omaha has indicated the following fiscal impact of the CSOIA Act:

Budget Year:	State Sales Tax Turnback:	Local Option Sales Tax:	Total:
2014:	\$ 792,984	\$ 216,268	\$ 1,009,252
2015:	\$ 796,949	\$ 217,349	\$ 1,014,298
2016:	\$ 800,934	\$ 218,436	\$ 1,019,370

Omaha indicates that the above numbers reflect anticipated growth in the number of wastewater customers. The current rate ordinance does not change after 2014 unless action is taken by the Mayor and City Council. There is a draft ordinance to raise the rates annually through 2018, but no action has been taken to date.

The city also noted that the local option sales tax would be a loss to Omaha's General Fund Revenue but the turnback of state sales tax would be additional revenue for the Combined Sewer Overflow capital improvements.

We believe that the Department of Revenue's estimate of fiscal impact is the most accurate assessment of the costs of implementing LB 760. Based on previous information on the size and scope of the Omaha project, and rate projections on the level of fees necessary to service bonds and pay the expenses of the project, we agree with the Department of Revenue's estimate of fiscal impact.

We also agree with both the Department of Revenue and the Department of Environmental Quality on the estimate of cost to implement LB 760.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 760	AM:	AGENCY/POLT. SUB: Department of Environmental Quality	
REVIEWED BY: Lyn Heaton		DATE: 1/28/2014	PHONE: 402.471.4181
COMMENTS: Concur with the Department of Environmental Quality's determination that there will be administrative costs to administer the grant program. It is assumed that this will require some level of FTE employee to do so, though the amount is likely to be minimal initially and would be highly dependent on the number of municipalities applying for turnback assistance going forward.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 760	AM:	AGENCY/POLT. SUB: State Fire Marshal	
REVIEWED BY: Lyn Heaton		DATE: 1/27/2014	PHONE: 402.471.4181
COMMENTS: Concur. No fiscal impact on the State Fire Marshal.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 760	AM:	AGENCY/POLT. SUB: City of Omaha	
REVIEWED BY: Cindy Miserez		DATE: 01/23/2014	PHONE: 402-471-4174
COMMENTS: The analysis provided by the City of Omaha for the fiscal impact of LB760 appears to be reasonable.			

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2014

LB⁽¹⁾ 760

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Department of Environmental Quality

Prepared by: ⁽³⁾ Thomas R. Lamberson

Date Prepared: ⁽⁴⁾ January 15, 2014

Phone: ⁽⁵⁾ 402.472.4235

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	167,000	167,000	167,000	167,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	167,000	167,000	167,000	167,000

Explanation of Estimate:

As written, the department has not identified any fiscal impact which would result from implementation of LB 760. This analysis is based on the following assumptions. First, because the Department of Revenue is given authority to promulgate rules and regulations and the responsibility to submit an annual report to the Legislature, it is assumed they will be the agency administering the Combined Sewer Overflow Infrastructure Fund. The department would be responsible for administering the Unfunded Federal Mandate Infrastructure Assistance Fund. In addition, it is the department's understanding that to date there have been no increases in monthly sewer use fees attributable to a combined sewer overflow project, so there are no funds available for the Combined Sewer Overflow Infrastructure Fund or the Unfunded Federal Mandate Infrastructure Assistance Fund.

It is the department's understanding that one municipality has proposed a fee increase for which LB 760 would be applicable should that fee be implemented. The department has calculated that the proposed fee, if approved, would provide approximately \$1.5 million dollars annually to the Combined Sewer Overflow Infrastructure Fund and \$167,000 for the Unfunded Federal Mandate Infrastructure Assistance Fund.

Should funds become available to the Unfunded Federal Mandate Infrastructure Assistance Fund the Department would incur some administrative costs. The department does not anticipate additional staffing would be necessary during FY 15 or FY 16.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15 EXPENDITURES</u>	<u>2015-16 EXPENDITURES</u>
	<u>14-15</u>	<u>15-16</u>		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....			167,000	167,000
Capital improvements.....				
TOTAL.....			167,000	167,000

Please complete ALL (5) blanks in the first three lines.

2014

LB⁽¹⁾ 760

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

State Fire Marshal

Prepared by: ⁽³⁾ Cathy Wann

Date Prepared: ⁽⁴⁾ 1/10/14

Phone: ⁽⁵⁾ 402-471-9479

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 1/17/2014			
Approved by: Kim Conroy		Date Prepared: 1/17/2014			
		Phone: 471-5896			
<u>FY 2014-2015</u>		<u>FY 2015-2016</u>		<u>FY 2016-2017</u>	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	(\$ 881,000)		(\$ 1,196,000)		(\$ 1,562,000)
Cash Funds	\$ 881,000		\$ 1,196,000		\$ 1,562,000
Federal Funds					
Other Funds					
Total Funds	\$ 0		\$ 0		\$ 0

LB 760 creates the Combined Sewer Overflow Infrastructure Assistance Act (CSOIAA) and the Unfunded Federal Mandate Infrastructure Assistance Act (UFMIAA). Both of these Acts provide financial assistance to municipalities for sewer and water projects. A municipality cannot receive assistance under both programs.

Under the CSOIAA, a municipality may apply, in writing, to a board for state assistance used to repay debt or reimburse the municipality for costs associated with an approved combined sewer overflow project (Project). A Project must be approved by the Department of Environmental Quality (DEQ).

If an application is approved, the Tax Commissioner is required to: (1) audit or review audits of the sewer use fees collected by the municipality to determine the state and local sales tax revenue collected by the municipality on the increase in monthly sewer use fees on and after July 1, 2013, and attributable to the Project; and (2) certify annually the amount of state sales tax revenue collected by the municipality on the increased fees to the State Treasurer.

State assistance is limited to the costs associated with the Project or debt incurred as a result of the Project and may only be granted by the Board if the municipality uses the local option sales tax revenue collected on the increase in monthly sewer use fees attributable to the Project for the same purpose.

The State Treasurer shall transfer the funds certified by the Department of Revenue (Department) from the General Fund as follows: 90% to the Combined Sewer Overflow Infrastructure Fund and 10% to the Unfunded Federal Mandate Infrastructure Assistance Fund (UFMIAF).

The Department is required to issue a report annually which: (1) identifies the demand for state assistance under the CSOIAA; (2) provides a list of the recipients and amounts of state assistance awarded pursuant to the act in the previous fiscal year; (3) identifies the status of each Project awarded state assistance; and (4) provides an estimate of the number of jobs created or sustained by each Project. The Department may require recipients of financial assistance to provide reports to enable the Department to fulfill the requirements of this section.

Under the UFMIAA, a municipality may apply to DEQ for grant assistance for federally mandated sewer and water projects. A municipality is required to match 10% of the grant. DEQ must annually report on the grants approved and denied, descriptions of the grant proposals, the amount of sales tax revenue deposited in the UFMIAF, expenditures from the Fund, and several other requirements.

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Steve Shively

Date Prepared:(4) 1-22-14

Phone: (5) 471-0676

	<u>FY 2014-2015</u>		<u>FY 2015-2016</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$0	\$0	\$0	\$0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

There is no Fiscal Impact to the Department of Health and Human Services.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2014-2015	2015-2016
		14-15	15-16	EXPENDITURES	EXPENDITURES
Benefits.....					
Operating.....					
Travel.....					
Capital Outlay.....					
Aid.....					
Capital Improvements.....					
TOTAL.....				\$0	\$0

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2014

LB⁽¹⁾ 760 FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Omaha

Prepared by: ⁽³⁾ Sheri Larsen Date Prepared: ⁽⁴⁾ 01/23/2014 Phone: ⁽⁵⁾ 402-444-5477

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 760 would generate the following revenue for the City of Omaha in providing assistance for Combined Sewer Overflow (CSO) capital improvements:

Budget Year	State Sales Tax Turnback to Omaha	Local Option Sales Tax Turnback to Omaha *	Total Turnback
2013	\$ -	\$ -	\$ -
2014	\$ 792,984	\$ 216,268	\$1,009,252
2015	\$ 796,949	\$ 217,349	\$1,014,298
2016	\$ 800,934	\$ 218,436	\$1,019,370
	<u>\$2,390,867</u>	<u>\$ 652,053</u>	<u>\$3,042,920</u>

The numbers shown reflect anticipated growth in the number of wastewater customers. The City of Omaha's current rate ordinance does not change after 2014 unless action is taken by the Mayor and City Council. There is a draft ordinance to raise the rates annually through 2018, but no action has been taken to date.

*The local option sales tax would be a loss to the City's General Fund Revenue but turnback would be additional revenue for the Combined Sewer Overflow capital improvements.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14 EXPENDITURES</u>	<u>2014-15 EXPENDITURES</u>
	<u>13-14</u>	<u>14-15</u>		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____

TOTAL.....

